

**I. AMENDMENTS**

**Specification Amendments**

Please replace the paragraph starting on p. 9 beginning with "A second illustrative embodiment" with the following marked-up paragraph:

A second illustrative embodiment of the invention is shown in Fig. 2, generally involving a processing architecture similar to that of Fig. 1. In this embodiment, a transponder 102 again communicates via RF link 104 with receiver 106 to effectuate point of sale or other transactions. However, in the embodiment of Fig. 2 a portion or all of account table 112 or other information stored in transponder 102 in the first embodiment may be offloaded to economize on the necessary electronics, power consumption and other properties of transponder 102. In the embodiment illustrated in Fig. 2, the point of sale device 108 is additionally connected to a transaction server 116 via communications link 114, for the purpose of authorizing by authorization unit 118 in whole or in part transactions presented for payment using transponder 102. Communications link 114 may be, include or access communications resources similar to communications link 120.

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Please insert the following paragraph immediately prior to the paragraph on p. 12 beginning with "The foregoing description of the system and method":

The overall transaction processing of an alternative embodiment is illustrated in the flowchart of Fig. 5. In step 502, processing begins. In step 504, the receiver 106 is presented with transponder 102 within range of electromagnetic coupling, such as inductive coupling. In step 506, transponder 506 is activated, for instance by inductive energization of its circuitry. In step 508, transponder 102 may communicate its transponder ID 110, which the receiver acknowledges with an acknowledge signal over RF link 104 in step 510.

In step 512, transaction information such as purchase amount is entered at point of sale device 108, for instance by a check out clerk or other attendant. In step 514, transponder ID 110 and purchase amount are received by the transaction server 116 via communications link 114. In step 516, financial account information in account table 112 may be interrogated to determine whether account balances or other account parameters permit the pending transaction at the point of sale device 108. If the transaction is not validated, in step 518 a "cash required" or other message is signaled at point of sale device 108, and processing proceeds to step 526 while processing ends.

If the account to be applied to the pending transaction is validated at step 516, in step 520, the authorization unit 118 communicates with point of sale device 108 to indicate transaction acceptance. In step 522, an end of transaction signal is sent to transponder 102 and in step 524, transponder 102 decouples from the receiver 106. In step 526, processing ends.